

The power of the digital wallet

Arvind Singhal / New Delhi October 28, 2010, 0:11 IST

Technology, in its many dimensions, has already transformed the way we live and the way we work in unimaginable ways. Mobile telephony, Internet, digital social media networks, search engines like Google, reference sources such as Wikipedia, e-readers such as Kindle, and Apple's Apps Store for its iPhone are just some among many developments that have occurred in just the last two decades and which are already impacting us in myriad forms.

Sam Pitroda's visionary credentials are impeccable, and hence his latest vision — the emergence of a “digital wallet” which will replace the conventional wallet (and everything that goes in it, including currency, credit/debit cards, memberships and loyalty cards, transaction slips, etc.) — must be given a serious thought. In his latest book, co-authored with Mehul Desai, Pitroda predicts that money on mobile phones “has the potential to reach 4 billion people in a very short time” and will actually make a big impact on those actually at the bottom of the pyramid, enabling them to access a wide range of financial services which they otherwise have no access or a very limited access to.

The authors have taken a very interesting approach for introducing the vision behind mobile money by first identifying the key entities in the entire network and then tracing their evolution over time. These entities include telecom companies, banking and finance institutions, merchants and retailers, and the classical “wallet”. Each of these chapters makes very interesting and informative reading, and so do the chapters that trace out early experiments in mobile commerce.

The authors say the key questions that they have attempted to address in this book include “what it would take to move money on mobile phones, when it would happen, how it would unfold and become pervasive, what it would mean to various stakeholders — including banks, operators, merchants and consumers — and how they will get transformed in the process”. They have also posed the question, “Will the march of mobile money lead to improved productivity and efficiency and increased reach and richness in applications, and will the disruptive nature of mobile money technology help provide the much-needed financial services to the unbankable and bring them to the mainstream of the global economy?”

Doing justice to such a wide range of questions — and covering so many facets of the mobile commerce network elements — is a daunting task, but the authors have succeeded admirably. To those who are not so clued on to technological trends, especially those related to communication, may find the book a somewhat hard read the first time. However, for them, a second or a third read is highly recommended for a better understanding since the notion of mobile commerce does merit this extra effort to understand the underlying developments and emerging trends.

The authors have, of course, tried to summarise the key trends and possible impact areas in the two concluding chapters. Some of these include forecasts that mobile money shall pick up momentum first in Asia where there are more mobile users than bank account holders, and that the initial applications will start with mobile banking but will rapidly expand to cover bill payments, ticketing and couponing and advertising. The authors also postulate that micro-transactions on the mobile will be the predominant application in the near term — leading to

reduced requirement for paper currency and coins — that the future banks will be borderless and will require fewer brick-and-mortar branches, that mobile money will reduce the cost of transactions and lead to greater transparency and even reduced legal and professional fees, that it will facilitate handling of multiple currencies across borders, and most fascinatingly, the hypothesis that mobile money may actually lead to either creation of regional currencies in Asia, Latin America, the Middle East and Africa or enable (select) providers to launch their own currency or transaction instruments through closed and open-loop settlement networks. Indeed, they conclude by stating that a consequence of the march of the mobile money is to put under question the very future of money itself as we have understood for centuries. Some of the forecasts may not come true, and some others could be decades away rather than a few years away. Nevertheless, it is worth pondering how in the future society would view and use money itself as we see it today.

If anything jars in the book, one is the added special chapter on India titled “The power of a billion disconnected people”. It somehow does not connect with the rest of the book. The other area is actually in the domain of the publisher itself: they could have come up with a better visual layout of the book and its different chapters.

Many books have already been written on the theme of mobile commerce and mobile money, and there is no doubt that as the trend towards mobile money gathers momentum, more books shall hit the shelves. However, Pitroda and Desai’s book is not only timely but also informative and thought-provoking. It’s recommended not only for the direct stakeholders but also for students, budding managers and entrepreneurs.

arvind.singhal@technopak.com